Budget: Chancellor announces £46 billion investment in railways, but no mention of HS2

October 27, 2021

The Chancellor Rishi Sunak says the government is investing £46 billion in railways.

Delivering a post-Brexit, post-pandemic Budget he said £5.7 billion will be provided for London-style transport settlements in:

- Greater Manchester
- Liverpool City Region
- The Tees Valley
- South Yorkshire
- West Yorkshire
- West Midlands
- West of England

Speaking in the House of Commons he said: “Infrastructure connects our country, drives productivity and levels up.

“That’s why our National Infrastructure Strategy invests in economic infrastructure like roads, railways, broadband and mobile, over £130 billion.

“To connect our towns and cities, we’re investing £21 billion on roads and £46 billion on railways.

“Our Integrated Rail Plan will be published soon, dramatically improving journey times between our towns and cities.

“But today, we’re providing £5.7 billion for London-style transport settlements in: Greater Manchester. Liverpool City Region. The Tees Valley. South Yorkshire. West Yorkshire. West Midlands. And the West of England.

“The Prime Minister promised an infrastructure revolution – this Budget delivers an infrastructure revolution.”

Commenting on the Integrated Rail Plan, Andy Bagnall, Director General at the Rail Delivery Group, said: “While investment is improving services now, we still operate one of the most congested railways in the world. The long awaited Integrated Rail Plan is needed as soon as possible to provide certainty about how upgrades to create more capacity for long distance, regional and local services will power up the government’s levelling up agenda.”

Reacting to the Budget, Darren Caplan, Chief Executive of the Railway Industry Association (RIA) has described is as a missed opportunity to unleash the potential of rail.

He said: “Whilst it is positive to see confirmation of what looks like an additional £1.5bn of funding for regional transport projects, including in rail, this Budget appears to be a missed opportunity to unleash the potential of the railways in helping the country to build back better.

“There was no indication in the statement of whether long-term day-to-day funding of the railway network will be maintained at least at current levels in the years ahead. We still don’t know what is in the Integrated Rail Plan for the Midlands & the North, we still have uncertainty over major projects, such as HS2 Eastern Leg, Northern Powerhouse Rail and Midlands Rail Hub, and we still await an update of the Rail Network Enhancements Pipeline, now more than two years since it was last published.

“With COP26 just around the corner, too, this would have been a good time to set out the Government’s plans to reach a net zero railway, including a rolling programme of electrification and fleet orders of hydrogen and battery trains. These plans would have not just shown UK leadership in decarbonisation on a global stage, but would also significantly boost green jobs and investment, as the UK moves to a cleaner, post-Covid economy.

“There could also have been some clarification on areas like digital signalling, with 60% of traditional signalling needing replacing in the next 15 years. Our rail exporters need to know whether Tradeshow Access Programme budgets will be reinstated or replaced, so that they can play their part in helping the country deliver on Global Britain ambitions.

“It is clear that UK rail can play a leading role in the UK’s economic recovery, but to do this the railway industry really does need greater sight of, and input into, the Government’s investment plans. Visibility of these plans is vital to supporting effective, reliable and clean world-class railway infrastructure and rolling stock in the coming years, boosting the UK economy and its connectivity not just now, at this critical time, but also for the years ahead as we move on from the pandemic.”

During the speech the Chancellor also said that flights between airports in England, Scotland, Wales and Northern Ireland will, from April 2023, be subject to a new lower rate of Air Passenger Duty.

It is news Paul Tuohy finds disappointing. He said: “In the looming shadow of the climate emergency and with COP26 just days away, the decision to cut Air Passenger Duty on domestic flights is utterly wrong-headed. Ours is not a large country: many of these journeys can be made in just a few hours by train with just one-seventh the carbon impact.

“We welcome the increased funding for local transport in city regions, but the commitment to spend billions on road building and continue to freeze fuel duty will come as cold comfort to the many households with no car who continue to be pummelled by rising rail and bus fares.

“How can our leaders hold their heads high at COP26 with this tone-deaf Budget still ringing in delegates’ ears?”

Andy Bagnall agrees: “Investment to improve connectivity between the nations of the UK is welcome and flying has its place. But if the government is serious about the environment, it makes little sense to cut air passenger duty on routes where a journey in Britain can already be made by train in under five hours.

“Our analysis shows this will lead to an extra 1,000 flights a year as 222,000 passengers shift from rail to air. This is disappointing and comes at a time when the industry is working hard to encourage people back to rail travel and build a financially sustainable future.

“Taken together with a fuel duty freeze for the twelfth consecutive year, it is now more important than ever for the government to encourage more people to choose low carbon forms of transport like trains. We want to work with the government to accelerate our proposals to make fares simpler and better value.”

Association for Consultancy and Engineering (ACE) Director of Policy Matthew Farrow said: “Today’s Budget saw limited new announcements on infrastructure, which much of the welcome funding for city transport schemes and the Levelling Up Fund grants being money that had previously been announced. No doubt the Chancellor had other things on his mind with the cost of living crisis and NHS spending pressures.

“One thing that didn’t seem to be much on his mind was CoP26. Although there were some useful small scale measures such business rates relief for green property improvements, there was also some distinctly mixed messaging with the APD cut and fuel duty measure. The Chancellor missed a trick here – a long term funding commitment for the rail electrification that will be needed to hit rail decarbonisation targets would have shown commitment to the hard yards of delivering net zero.

"For the consultancy sector specifically, the extended scope for R&D tax credits may be useful as the industry continues its digital transformation, and the continued commitment to Project Speed was good to see – modern digitally enabled consultancy holds the key to unlocking infrastructure delivery and performance."

Peter Hogg, UK Cities Director at Arcadis, said: "Having popped the cork on many announcements in the run-up to today's Budget, announcements on big capital programmes had already lost their fizz.

"The long-awaited announcement on HS2 and the Strategic Rail Review didn't come, but we did hear a strong commitment to regional transport projects. Most interesting was a commitment to funding 'TfL-style' transport authorities in cities outside London.

"This will be good news for the benefitting cities, bringing a much greater ability to integrate mobility into placemaking and spatial and economic planning."

Sir John Armitt, Chair of the National Infrastructure Commission, said: "With reasonable capital settlements for key areas including local transport outside London, and an increase in the guidelines for projected infrastructure spending for the long term, these announcements indicate a government keen to support a more stable national infrastructure planning cycle. In the current fiscal context, today's red box contains a solid down payment on a long term fiscal commitment to infrastructure.

"Confirmation of plans to devolve more funding to city regions for major upgrades of their transport systems is of course welcome. Addressing congestion and improving connectivity across cities is key to boosting productivity but also improving quality of life for residents. But this funding should only represent a first step and mayors need to know they can rely on future five year settlements to enable long term planning.

"Other local authorities, particularly those covering one or more towns, also need the opportunity to develop their own growth strategies and need greater certainty of funding to plan infrastructure projects. Today's announcement of £2.7 billion per year for local transport beyond London and other big cities is a significant sum, in line with the Commission's recommendations. This money should be devolved to county and unitary authorities in the same way as it is to metro mayors. The forthcoming white paper is government's chance to show it is willing to let 'levelling up' be a collaborative endeavour with local leaders rather than a set of priorities imposed from Whitehall.

"Ongoing uncertainty hanging over major rail schemes in the north and midlands is not in anyone's best interest, not least because of the timescales involved in taking such large projects from aspiration to delivery.

"We gave our own independent assessment of options to government ten months ago. The government's plan should be published without further delay to help unlock economic growth across the north and break the cycle of committing to schemes only to later reopen or rescope them."

Richard Robinson, CEO, Atkins UK and Europe, said: "There were certainly a number of positives to take from the Chancellor's speech, including the initial allocation of levelling up funds and a commitment to build affordable homes on brownfield land.

“That said, I had hoped to learn more about the Integrated Rail Plan which will not only give our industry clarity on how a number of major projects will be delivered, but also provide towns and communities with greater confidence knowing that infrastructure is going to be put into place which will help unlock regional growth.

“As such, we urge the government to publish a comprehensive Integrated Rail Plan as soon as possible, recognising its importance as a catalyst for transformative change.”

Photo credit: Railway Industry Association